# Callable Floating Coupon Note

## 1. Introduction

A floating coupon note is a very flexible and generic funding product. The issuer pays the buyer periodic floating coupons based on a spread-adjusted reference rate, such as LIBOR. The buyer pays an upfront fee to the issuer. Also, the buyer pays the issuer a notional amount at inception and the issuer returns it upon cancellation or maturity of the deal.

A callable floating coupon note gives the issuer to recall the note on specified future recall dates at a predetermined recall price. The callable future is known upfront and allows the issuer to cancel the note and pay off the notional before maturity.

Callable floating coupon note usually pay a higher coupon or interest rate to investor. Institutions may issue callable floating coupon notes to fund expansion or to pay off loans. This type of note is in demand among investors when interest rates are low and expected to rise.

At each payment date, the payoff could be straight, call, put, digital call, or digital put style function (very flexible according to contract) based on a relative return on a given notional or absolute difference between fixing rate and strike. A *floor* and *weight* may be applied.

Reference:

https://finpricing.com/lib/EqWarrant.html